20TH MEETING OF THE VOORBURG GROUP

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PRODUCER PRICE INDEX FOR COURIER SERVICES IN SWEDEN
Appendix: Sweden

Session on Services PPI

Mical Tareke
Services Producer Price Index
Statistics Sweden
Producer price index for courier services in Sweden

A. Business model

In SPIN 2002, the Swedish standard for the classification of products by activity, the industry term for 64.12 is courier activities, other than national post activities.

CPA, Classification of Products by Activities, is the EU's product standard and SPIN 2002 is the Swedish SNI-adapted version. SNI 64.12 corresponds to Group 6412 in ISIC Rev.3.1 and Class 64.12 in NACE Rev 1.164.12 contains the following sub-groups:

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<th>Industry</th>
<th>SPIN 2002</th>
<th>CPA</th>
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<tr>
<td>Courier services other than national post services</td>
<td>64.120</td>
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<td>Multi-modal courier services</td>
<td>64.12.11</td>
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<td>Other courier services; newspaper delivery</td>
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SNI 64.12 Other transport of post includes:
- receipt, transportation and distribution of letters and small packages outside of the national postal system.
- courier activities
- delivery of daily newspapers

Structure of the industry

The industry is dominated by a few very large enterprises and a layer of medium-sized enterprises. According to Swedish Business statistics 2003, the 4 largest enterprises account for slightly more than 57 per cent of the industry's total net turnover. The large enterprises are mainly involved with distribution of newspapers and periodicals and the medium-sized ones are involved with courier services. The smallest enterprises are involved with local post services.

It can be assumed that those enterprises involved with distribution of newspapers and periodicals are correctly classified in SNI since they are large and are continuously studied in the structural business statistics. In addition, these enterprises are exclusively or to a large degree involved with distribution of newspapers and periodicals.

It can be suspected that there are enterprises involved in post activities that are missing from SNI 64.12 and should be classified there. However, these enterprises are small and would not affect a total index. There is one larger enterprise involved in post activities and this makes it easy to keep good order. In contrast, it is more difficult with those enterprises involved with courier activities. The difference between the definitions of courier services and transport of goods by road, rail, sea or air is somewhat fluid. Furthermore, a number of enterprises are involved in both activities depending on what the customer requires.

B. Overview of government regulation

The Postal Services Act\(^1\) deals with the needs of the community regarding postal services, and places demands on all postal operators on how activities shall be conducted in a reliable manner without invading the privacy of customers. Price control in the postal services legislation consists

\(^1\)Acts and Ordinances - National Post and Telecom Agency
of three components. These are: 1) that prices for universal postal services shall be based on the costs 2) that prices for single items of mail (daily post) shall be reasonable and uniform, and 3) that there is a price ceiling for single items of mail that weigh up to 500 grams. The state monopoly for postal services was abolished 11 years ago, and the Postal Services Act allows competition in this area.

Enterprises within SNI 64.12 that operate with regular receipt, transportation and distribution of letters and small packages of enterprises outside of the national postal service are covered in the Postal Services Act. However, the market for courier services is a free market, i.e. courier services are not covered in the Postal Services Act, due to the irregularity of these kinds of services.

C. Final pricing methods and limitations

The industry is dominated by a few large enterprises. Consequently, the survey is limited to these enterprises.

The price to the customer depends on the size of the delivery in number, weight and/or volume, time of the delivery, type of the item(s) being delivered, destination, number of days for delivery, and the customer.

The pricing methods used are model pricing and prices of real transactions. This choice of pricing methods was made on the basis of those discussions held when visiting the enterprises at the beginning of the survey. The method for prices of real transactions works well concerning enterprises that have regular services. Selection of service type was also made on the basis of those discussions held with the enterprises. The survey started in the fourth quarter of 2003.

The enterprises submit price information to Statistics Sweden for at least four services on a quarterly basis. Information is also submitted on the size of the services in relation to each other.

D. Published data and limitations and concerns about the published data

The industry is dominated by limited number of enterprises and therefore the index cannot be published due to confidentiality reasons. The index is calculated for the purposes of use within the National Accounts.

E. Analysis of "goodness" of published data

Due to the reasons mentioned above, the index is not published, but it is usable. The largest enterprise in the industry submit us very detailed information. However, the survey needs to be increased in order to reduce the variance of price development between the large and small enterprises in the industry.